

K. repairs necessitated solely as a result of destructive resident behavior.

Section 6.020 **Maintenance operating costs.** The costs listed in this section are included in the maintenance operating cost category.

A. Direct costs of dietary services, including:

- (1) salaries of dietary staff;
- (2) food;
- (3) supplies;
- (4) consultant services;
- (5) purchased services; and
- (6) accrued vacation and sick leave.

B. Direct costs of laundry and linen services include:

- (1) salaries of laundry staff;
- (2) supplies;
- (3) linen and bedding;
- (4) purchased services; and
- (5) accrued vacation and sick leave.

C. Direct costs of housekeeping services include:

- (1) salaries of housekeeping staff;
- (2) supplies;
- (3) purchased services; and
- (4) accrued vacation and sick leave.

D. Direct costs of plant operations and maintenance services include:

- (1) salaries of plant operations and maintenance staff;
- (2) supplies;
- (3) utilities and fuel;
- (4) nondepreciable equipment and repairs not subject to capitalization under Section 4.080, except as in Section 6.010, item K;
- (5) purchased services;
- (6) licensing and permit fees, except as in Section 6.050, item B; and
- (7) accrued vacation and sick leave.

E. Payroll taxes and fringe benefits allocated in accordance with Section 3.060.

Section 6.030 **Administrative operating costs.** The costs listed in this section are included in the administrative operating cost category:

- A. business office functions;
- B. travel expenses except as provided in Section 6.010, items E and G;
- C. motor vehicle operating costs, except as provided in Section 6.010, items E and G;
- D. telephone and telegraph charges, except as provided in Section 6.010, item H;
- E. office supplies;
- F. insurance except as in Section 6.060;
- G. salaries, wages, or fees of top management personnel, accounting and clerical personnel, data processing personnel, receptionists, and other management or administrative personnel;
- H. professional fees for services such as legal, accounting, and data processing services;

I. business meetings and seminars;

J. postage;

K. training, including the cost of lodging and meals, for management personnel and other personnel not related to direct resident care if the training either meets the requirements of laws or regulations for keeping an employee's salary, status, or position, or maintains or updates skills needed to perform the employee's present duties;

L. membership fees for associations and professional organizations which are directly related to the operation of the facility;

M. subscriptions to periodicals which are directly related to the operation of the facility;

N. advertising and personnel recruitment costs including help wanted advertising;

O. the costs of meals incurred as a result of required overnight business related travel;

P. security services or security personnel;

Q. management fees of a nonrelated organization;

R. working capital interest expense;

S. indirect costs classified in part Section 3.010, item B;

T. central, affiliated, or corporate office costs excluding the property-related costs of capital assets used exclusively by individual facilities in the provider group as in Section 3.040, item D. Central, affiliated, or corporate office costs shall be allocated in accordance with Section 3.040;

U. payroll taxes and fringe benefits allocated in accordance with Section 3.060; and

V. accrued vacation and sick leave.

**Section 6.040 Payroll taxes and fringe benefits.** Only the costs listed in this section are to be included in the payroll taxes and fringe benefits cost category. The Department shall allocate these costs to other cost categories in accordance with Section 3.060.

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- A. the employer's share of the social security withholding tax;
  - B. state and federal unemployment compensation taxes or costs;
  - C. group life insurance and disability insurance;
  - D. group health and dental insurance;
  - E. workers' compensation insurance, including self-insurance or group insurance plans which meet the requirements outlined in Section 4.160;
  - F. either a pension plan or profit sharing plan; and
  - G. governmentally required retirement contributions.

Section 6.050 **Property-related cost.** The facility costs listed in this subpart are included in the property-related cost category:

- A. allowance for depreciation of capital assets, except land;
- B. capital debt interest expenses;
- C. rental and lease payments; and
- D. payments permitted under Section 5.000, item BB.

Section 6.060 **Special operating costs.** The facility costs listed in this section are included in the special operating cost category:

- A. special assessments and real estate taxes;
- B. license fees required by the Minnesota Department of Human Services and the Minnesota Department of Health;
- C. real estate insurance;
- D. professional liability insurance;
- E. the portion of preopening costs amortized as in Section 4.120, item B;

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Effective October 1, 1989, the Department shall establish the administrative cost per licensed bed limit by multiplying the median of the array of allowable administrative allowable historical operating costs per licensed bed for each group by the percentage that establishes the limit at the 75th percentile of the array of each group.

(d) For the rate year beginning October 1, 1989, the maximum allowable administrative historical operating cost shall be the facility's allowable administrative historical operating cost or the amount in clause (c) multiplied by the facility's licensed beds, whichever is less.

(e) For the rate years beginning on or after October 1, 1990, the Department shall increase the administrative cost per licensed bed limit in clause (d) by multiplying the administrative operating cost per bed limit by the composite forecasted index in Section 7.022, item A, except that the index shall be based on the 12 months between the midpoints of the two preceding reporting years.

(f) The administrative cost per licensed bed limit and the average cost of a certified audit determined in this clause must not be adjusted as a result of field audits, appeals, and amendments.

(g) The administrative cost per licensed bed limit and the average cost of a certified audit determined in this clause must not be adjusted as a result of field audits, appeals, and amendments.

(2) The maintenance operating cost limit shall be determined as in the following clauses:

(a) For the rate years beginning on or after October 1, 1986, the allowable historical operating costs in the maintenance operating cost category must not exceed the operating cost payment rate for the maintenance operating cost category in effect during the reporting year times the prorated resident days which correspond to those operating cost payment rates paid during the reporting year.

(b) For the period January 19, 1988 to September 30, 1988, the allowable historical operating costs in the maintenance operating cost category must not exceed 125 percent of the operating cost payment rate for the maintenance operating cost category in effect during the reporting year times the prorated resident days which correspond to those operating cost payment rates paid during the reporting year.

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(c) For the rate years beginning October 1, 1988 and October 1, 1989, the allowable historical operating costs in the maintenance operating cost category must not exceed the amount determined for the period January 19, 1988 to September 30, 1988, increased annually by a percent moving average of the index of average hourly earnings in nursing and personal care facilities for the fourth quarter of the rate year following the reporting year, forecast by Data Resources, Inc. in the second quarter of the calendar year following the reporting year. The maximum administrative allowable historical operating cost shall be the lesser of the facility's administrative allowable historical operating cost or the amount determined in this item multiplied by the facility's licensed beds.

(d) For rate years beginning on or after October 1, 1990, the allowable historical operating costs in the maintenance operating cost category must not exceed the amount determined for the prior rate year, increased annually by the composite forecasted index in Section 7.022, fourth paragraph of item A, except that the index shall be based on the 12 months between the midpoints of the two preceding reporting years.

(3) For the rate year beginning October 1, 1986, the allowable historical operating costs in the administrative operating cost category must not exceed the operating cost payment rate for the administrative operating cost category in effect during the reporting year times the prorated resident days that correspond to those operating cost payment rates paid during the reporting year. Except for the purpose of calculating the efficiency incentive under Section 7.022, item E, this limit on administrative operating costs shall not be in effect for rate years beginning on or after October 1, 1987.

(4) For the rate year beginning October 1, 1986, and October 1, 1987, the facility's total operating cost payment rate in effect during the reporting year must be adjusted for reclassifications in accordance with Section 6.000 and be separated into program, maintenance, special, and administrative operating cost payment rates according to clauses (a) to (c).

(a) The allowable historical operating costs for each of the program, maintenance, special, and administrative operating cost categories including the portion of payroll taxes and fringe benefits in clause (b) incurred during the reporting year must be divided by the total allowable historical operating costs incurred during the reporting year.

(b) The allowable historical operating costs for payroll taxes and fringe benefits shall be allocated to the program, maintenance, and administrative operating cost categories in accordance with Section 3.060.

(c) The program, maintenance, special, and administrative operating cost payment rates shall be determined by multiplying each total operating cost payment rate in effect during the reporting year by the program, maintenance, special, and administrative ratios determined in clause (a).

For rate years beginning on or after October 1, 1988, the program operating cost payment rate in effect during the reporting year times the prorated resident days that correspond to those operating cost payment rates paid during the reporting year must be used in computing the total of the limits in the computation of the efficiency incentive under Section 7.022, item E.

(5) The limits in subitems (2), (3), and (4) shall not apply to a facility with a payment rate established according to Sections 12.010 to 12.030.

B. The program allowable historical operating cost per diem shall be computed by dividing the program allowable historical operating costs in that cost category incurred during the reporting year by the greater of resident days or 85 percent of capacity days.

C. The maintenance allowable historical operating cost per diem shall be computed by dividing the maintenance allowable historical operating costs in that cost category incurred during the reporting year as limited according to item A, by the greater of resident days or 85 percent of capacity days.

D. The administrative allowable historical operating cost per diem shall be computed by dividing the administrative allowable historical operating cost in that cost category incurred during the reporting year as limited according to item A, by the greater of resident days or 85 percent of capacity days.

E. For the rate year beginning October 1, 1986, the allowable certified audit cost per diem shall be computed by dividing the allowable certified audit cost as determined in item A, subitem (1), clause (d) by the greater of resident days or 85 percent of capacity days.

F. If a facility's total allowable historical operating cost per diem or allowable historical operating cost per diems in any of the operating cost categories is greater than the respective operating cost payment rate established for the corresponding rate year, there must be no retroactive cost settlement, unless the difference is due to:

(1) a field audit adjustment; or

(2) a settle-up payment rate.

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Section 7.015 **General operating cost per diem limitation for high cost facilities after September 30, 1995.** For rate years beginning on October 1, 1995, the commissioner shall limit the allowable operating cost per diems, as determined under this section and Section 7.018, for high cost ICFs/MR.

A. "General operating costs" means the facility's allowable operating costs included in the program, maintenance, and administrative operating costs categories, as well as the facility's related payroll taxes and fringe benefits, real estate insurance, and professional liability insurance.

B. Prior to indexing each facility's operating cost per diems for inflation under Section 7.022, the commissioner shall group the facilities into eight groups. The commissioner shall then array all facilities within each grouping by their general operating cost per service unit per diems.

C. The commissioner shall annually review and adjust the general operating costs incurred by the facility during the reporting year preceding the rate year to determine the facility's allowable historical general operating costs as defined in item A. A facility's total operating cost payment rate shall be limited according to subitems (1) and (2).

(1) A facility's total operating cost payment rate shall be equal to its allowable historical operating cost per diems for program, maintenance, and administrative cost categories, multiplied by the forecasted inflation index in Section 7.022, item A, subitem (4), subject to the limitations in subitem (2).

(2) For the rate years beginning on or after October 1, 1995, the commissioner shall establish maximum overall general operating cost per service unit limits according to clauses (a) through (h). Each facility's allowable historical general operating costs as described in this section, and client classification information resulting in weighted service scores obtained under Section 7.018 for the reporting year ending December 31, 1994 (the base year), shall be used for establishing the overall limits.

(a) The commissioner shall determine each facility's weighted service units for the reporting year by multiplying its resident days in each client classification level as established under Section 7.018 and Minnesota law, by the corresponding weights for that classification level as described in Section 7.018, item A, and summing the results. If the facility has temporary care days, the commissioner shall add to this amount computed in clause (c), subclause (ii).



(b) The facility's service unit score is equal to its weighted service units as computed in clause (a), divided by the facility's total resident days, excluding temporary care resident days, for the reporting year.

(c) For each facility, the commissioner shall determine the facility's cost per service unit by dividing its allowable historical general operating costs for the reporting year by the facility's service unit score calculated in clause (b), multiplied by its total resident days, except:

i. if the facility's occupancy is less than 85 percent of licensed capacity, then divide the allowable historical general operating costs for the reporting year by its service unit score calculated in clause (b) multiplied by 85 percent of the facility's capacity days.

ii. if a facility reports temporary care resident days, the temporary care resident days shall be multiplied by the service unit score calculated in clause (b), and the resulting weighted resident days shall be added to the facility's weighted service units in clause (a) prior to computing the facility's cost per service unit.

(d) The commissioner shall group facilities based on class A or class B licensure designation, number of licensed beds, and geographic location. For purposes of this grouping, facilities with six beds or less shall be designated as small facilities and facilities with more than six beds shall be designated as large facilities. If a facility has both class A and class B licensed beds, the facility shall be considered a class A facility for this purpose if the number of class A beds is more than half its total number of ICF/MR beds; otherwise the facility shall be considered a class B facility. The metropolitan geographic designation shall include Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. All other Minnesota counties shall be designated as the nonmetropolitan geographic group.

These characteristics result in the following eight groupings:

- i. small class A metropolitan;
- ii. large class A metropolitan;
- iii. small class B metropolitan;
- iv. large class B metropolitan;
- v. small class A nonmetropolitan;

- vi. large class A nonmetropolitan;
- vii. small class B nonmetropolitan; and
- viii. large class B nonmetropolitan.

(e) The commissioner shall then array all facilities within each grouping in clause (d) by each facility's cost per service unit as determined in clause (c).

(f) In each array established under clauses (d) and (e), facilities with a cost per service unit at or above the median shall be limited to the lesser of:

- i. the current reporting year's cost per service unit as calculated in clause (c); or
- ii. the prior reporting year's allowable historical general operating cost per service unit as calculated in clause (c), plus the inflation factor as established in Section 7.022, item A, subitem (5), increased by three percentage points.

For the rate years beginning October 1, 1997 and October 1, 1998, a 12-bed facility in Stearns County and a 12-bed facility in Sherburne County are exempt from this subitem.

(g) The overall operating cost per service unit limit for each group shall be established as follows:

i. Each array established under clause (e) shall be arrayed again after the application of clause (f);

ii. In each array established in subclause (i), above, two general operating cost limits shall be determined:

1. The first cost per service unit limit shall be established at 0.5 and less than or equal to 1.0 standard deviation above the median of each array.

2. The second cost per service unit limit shall be established at 1.0 standard deviation above the median of each array;

iii. The overall operating cost per service unit limits shall be indexed for inflation annually beginning with the reporting year ending December 31, 1995, using the forecasted inflation index in Section 7.022, item A, subitem (5).